

Application No.: 09/714,619
Response Dated: August 14, 2007
Reply to Office Action Mailed May 10, 2007

REMARKS/ARGUMENTS

Claims 1 through 19 and 21 through 25 are pending in the instant application.

The Examiner has rejected claims 1 through 19 and 21 through 25 under 35 U.S.C. 102(e) as being anticipated by McRedmond, U.S. Patent Publication No. 2001/0034692. The rejection of applicant's claims is respectfully traversed. Reconsideration and favorable action is respectfully solicited in view of the following.

The Examiner has rejected claims 1 through 19 and 21 through 25 under 35 U.S.C. 102(e) as being anticipated by McRedmond, U.S. Patent Publication No. 2001/0034692. The Examiner, in the instant Official Action, has utilized applicant's *own claim language* in taking the position that:

McRedmond discloses a method and corresponding data storage medium for business to investor exchange for creating a market for private equity comprising operating a venture capital investment business, (p.2, 21-29); establishing a business entity, the said business entity establishing an investment fund for venture capital, establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the said investment fund and making investment decisions for the fund, the investment fund having capital contributions provided by investors in the fund to said fund, the fund managing entity also providing capital contributions to the said fund, the same fund utilizing the contributions to invest in portfolio entities, the said investors receiving a general participation interest in the said fund, and the fund managing entity receiving a carried interest in the fund, providing the investors that have provided at least a threshold capital contribution to the said fund with stock rights in the said business entity to enable such investors to become shareholders in the said business entity, the said business entity securing a portion of IPO shares that become

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available in the portfolio entities, and the said business entity enabling shareholders thereof to purchase IPO shares among the said portion of IPO shares secured by the said business entity that become available in the said portfolio entities (p.2, 21-29; p.3, 44-48; and p.4, 61-64) ...

The Examiner continues by asserting that other limitations of applicant's claims may also be found within McRedmond, citing, parenthetically, other passages of McRedmond in apparent support of this position.

It is respectfully submitted, however, that, contrary to the Examiner's view, McRedmond, U.S. Patent Publication No. 2001/0034692, does not relate in any way to an integrated method of operating a venture capital investment business; but, instead, proposes a method for creating a secondary market in private equities by auctioning venture-backed private equities over the Internet to qualified investors. It is proposed that the typical sources for the private equities will be interests in limited partnerships and pre-IPO or pulled-IPO securities. As proposed, the operator of the system may take a position in certain private equities so as to have "inventory" to later sell on the system. In a typical buyer-driven transaction, a qualified buyer puts out a bid for private assets in a particular area. Sellers who subscribe to the system receive notice of the bid and can then respond. As proposed, in a typical seller-driven transaction, a seller puts out a notice on the system of equities for sale. Buyers who subscribe to the system receive notice and can respond. Either the buyer or the seller may be charged by the system, depending on the transaction.

In contradistinction therewith, applicant's invention is directed to an integrated method of operating a *venture capital investment business*. In one aspect, the method includes the steps of establishing a business entity, the business entity establishing an *investment fund for venture capital*, establishing a fund managing entity of the investment fund, the fund managing entity attending to

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administrative matters relating to the investment fund and making investment decisions for the fund, the investment fund having capital contributions provided by investors in the fund, the fund managing entity also providing capital contributions to the fund, the fund utilizing the contributions to invest in portfolio entities; the investors receiving a general participation interest in the fund, and the fund managing entity receiving a carried interest in the fund; providing the investors that have provided at least a threshold capital contribution to the fund with stock rights in the business entity to enable such investors to become shareholders in the business entity; *the business entity securing a portion of IPO shares* that become available in the portfolio entities; and *the business entity enabling shareholders thereof to purchase IPO shares among the portion of IPO shares secured by the business entity that become available in the portfolio entities.*

As widely recognized by those skilled in the art, an initial public offering (IPO) is a company's first sale of stock to the public. Securities offered in an IPO are often, but not always, those of relatively new, small companies seeking outside equity capital and a public market for their stock. Investors purchasing stock in IPOs generally must be prepared to accept very large risks for the possibility of large gains. Applicant's invention provides a method for integrating and aligning the interests of the parties involved in driving the growth and development of a robust venture capital business by offering the constituent groups the opportunity to become shareholders in the business entity which is the centerpiece of the integrated enterprise as well as the entity that has secured the right to participate, via rights offerings or directed share subscription programs, in the IPOs of the portfolio companies of the funds which the business entity manages. The invention also broadens access to participation in IPOs which, historically, have been mostly restricted to institutions, high net worth investors and the like.

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It is respectfully submitted that a careful review of McRedmond reveals that McRedmond is in no way related to the integration of a central operating entity having a periphery of funds that the entity manages and supports. Moreover, McRedmond provides no teaching even remotely related to an integrated venture capital environment by which shareholders of a business entity may participate in the IPOs of portfolio companies of funds that the business entity manages.

Instead, McRedmond proposes to create a secondary market in private equities by auctioning venture-backed private equities over the Internet to qualified investors. McRedmond observes huge sums of money “pour(ing) into private companies in the U.S.” and notes “there is still no marketplace to buy and sell these (traditionally illiquid) securities.” Accordingly, McRedmond envisions a secondary market system accessible by accredited investors “that would provide targeted marketing of securities to accredited investors that match the interests of the investor with the type of security available for sale.” Moreover, the McRedmond system would “allow, in an automated way, a review of business plans and ancillary documents in an efficient and effective manner...” The goal is “establishing a secondary market for the buying and selling of private equities, both of individual companies and of limited partnership interests.” Other objects of McRedmond include the following: creating a secondary market for resale of restricted stock of public securities; creating calls and puts on private equities; qualifying both businesses and investors; prescreening securities for quality; assisting entrepreneurs in developing business plans; creating video or audio interactive presentation methods; and creating an alternate exist strategy for VCs, investors, incubators, angel round financiers, pension funds, corporations, and founders.

McRedmond is not concerned with, nor does McRedmond remotely teach or suggest developing an integrated private equity concern where a financial services business entity is the centerpiece, back office, and umbrella for funds and allows its

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shareholders to participate in the IPOs of fund portfolio companies. Instead, McRedmond relates to creating a secondary market for heretofore illiquid securities over the Internet. It is not remotely related to applicant's integrated method for operating a venture business.

As stated in MPEP §2131, in order to constitute anticipation under the law, a patent or publication must contain within its four corners a sufficient description to enable the person of ordinary skill to make the invention without undue experimentation. All material elements of a claim must be found in one prior art source, a mere suggestion is not enough. Moreover, essential elements are not to be read into a reference. If a reference does not expressly recite or disclose applicant's claimed invention, as is the case here, then, it is required under principles of inherency that the claimed subject matter be inevitably produced when the teachings of the relied upon reference are followed, in order for a proper case of anticipation to be found. For the reasons suggested above, it is believed that applicant's claimed method is not fairly taught or suggested, and that following the teachings of McRedmond could not, under any circumstances, inevitably produce the invention, as claimed.

In view of the foregoing, it is respectfully requested that the grounds for rejection of claims 1 through 19 and 21 through 25 under 35 U.S.C. 102(e) as being anticipated by McRedmond, U.S. Patent Publication No. 2001/0034692, be withdrawn.

In closing, the applicant would like to respectfully express his great disappointment with the examination process. The Examiner's attention is directed to the fact that the applicant is an individual who has prosecuted this application at significant personal expense over a period of nearly seven years. As the Examiner is aware, the applicant has overcome numerous rejections only to have his

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application subjected to a new search and/or new grounds for rejection. The Examiner is respectfully reminded of § 2106(II) of the MPEP, wherein it is stated that:

It is essential that patent applicants obtain a prompt yet complete examination of their applications. Under the principles of compact prosecution, each claim should be reviewed for compliance with every statutory requirement for patentability in the initial review of the application, even if one or more claims are found deficient with respect to some statutory requirement. Thus, USPTO personnel should state all reasons and bases for rejecting claims in the first Office action. Deficiencies should be stated clearly, particularly when they serve as a basis for a rejection. Whenever practicable, USPTO personnel should indicate how rejections may be overcome and how problems may be resolved. A failure to follow this approach can lead to unnecessary delays in the prosecution of the application. [Emphasis added.]

It is respectfully submitted that the applicant has not had the benefit of the type of examination that the MPEP deems to be essential; namely one in which all reasons and bases for rejecting claims are set forth in the first Office Action. As must be appreciated, when an application is repeatedly subjected to new searches and/or new grounds for rejection, the principles of compact prosecution are unquestionably undermined. Moreover, it is respectfully submitted that each subsequent Office Action implies that the initial examination was deficient in that a prima facie case of obviousness was not established and all reasons and bases for rejecting the claims were not set forth in the previous Office Actions.

Should the Examiner find that this response does not place this important application in condition for allowance, the Examiner is invited to contact the undersigned by telephone to discuss how this rejection may be overcome.


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The Commissioner is hereby authorized to charge any additional fees which may be required, or credit any overpayment to Account No. 50-2478 (12763).

It is respectfully submitted that the present claims are in condition for allowance. Prompt notification of allowance is respectfully solicited.

Respectfully submitted,

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